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Fitch Lowers Energy Northwest's Electric Revs To 'AA-'; Rating Outlook Stable [Ratings](#)

12 Mar 2003 11:36 AM

Fitch Ratings-New York-March 12, 2003: Fitch Ratings has lowered the rating on Energy Northwest's \$5.8 billion outstanding prior lien and electric revenue bonds to 'AA-' from 'AA', and assigned a 'AA-' rating to a proposed \$714 million series 2003A (tax-exempt) and B (taxable) refunding electric revenue bonds. The Rating Outlook is Stable for the Energy Northwest bonds, which had previously been on Rating Watch Negative (Sept. 9, 2002). The fixed-rate 2003A and B bonds will refund certain Project No. 1, Project No. 3 and Columbia Generation Station prior lien and electric revenue bonds. The bonds are scheduled to price on Mar. 18, 2003, with Salomon Smith Barney as lead underwriter.

The rating downgrade reflects the less than consistent and weakened financial performance of the Bonneville Power Administration (BPA), which is contractually obligated to pay debt service on the Energy Northwest bonds. Below normal water conditions, a decline in prices received for surplus hydroelectric energy and a softness in the regional economy have negatively impacted on BPA's creditworthiness. While there remains uncertainty regarding the level of BPA's financial performance, planned cost savings and rate adjustments should be beneficial.

Factors that support the rating include BPA's obligation to pay debt service on the Energy Northwest bonds prior to its U.S. Treasury payments, providing good debt service coverage protection for Energy Northwest, the importance of the federal power marketing agency in supplying electricity and transmission service in the Pacific Northwest and recently implemented rate adjustments. The recent implementation of the three-step, cost adjustment program, adds improved rate flexibility and reduces BPA's need to maintain larger reserve positions. Wholesale rates are forecasted to remain competitive for the region, but will be above historical levels. Finally, BPA's (the agency) increasing reliance on financial tools to bolster near term performance has the potential to further weaken the agency's long-term credit standing.

Energy Northwest owns and operates the Columbia Generating Station, previously known as Nuclear Project No. 2. BPA purchases the project power under agreement and markets the power along with electricity from 30 federally-owned hydroelectric projects across its high-voltage transmission network throughout the Pacific Northwest. BPA is the largest of the regional federal power marketing agencies.

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